



Proposed Amendments to the AB 32 Cost of Implementation Fee Regulation

October 20, 2011



Today's Presentation

- Introduction
- AB 32 Fee Revenue
- AB 32 Fee Regulation Details
- Proposed Amendments
- Potential Impacts
- Suggested Modifications
- Recommendation



Introduction



Introduction

- AB 32 established a comprehensive, multi-year program to reduce greenhouse gas (GHG) emissions
- AB 32 provides ARB authority to adopt a fee schedule to be paid by GHG emissions sources
- Fee Regulation originally endorsed by the Board in September 2009



AB 32 Fee Revenue



AB 32 Fee Revenue

- State's annual AB 32 implementation costs
- Repay loans, with accrued interest, that were utilized in the first three years of the program (FYs 2007-2008 through 2009-2010)

AB 32 Fee Revenue

- Fee applied to approximately 80 percent of statewide GHG emissions
- Approximately 300 fee payers (such as oil refineries, utilities, cement producers)
- Loan repayment during for the first four years of fee collection only
 - Loans will be paid off in two more years; which should lower revenue needs by > 40 percent
- AB 32 implementation costs are approved by the Legislature in the State budget

AB 32 Fee Revenue

State Agencies Receiving AB 32 Fee Funding	FY 2011/2012 in Thousands (rounded)
ARB	\$32,930
Cal/EPA	\$590
Dept. of Resources Recycling and Recovery	\$500
Dept. of Public Health	\$320
State Water Resources Control Board	\$540
Dept. of Water Resources	\$320
Dept. of Housing and Community Development	\$100
TOTAL	\$35,300

AB 32 Fee Revenue

Collection Status:

- ARB sent out invoices for fiscal year (FY) 2010-2011 to collect \$62.1 million total required revenue
 - \$35.2M in program costs, \$26.9M in loan repayment
 - Top 10 fee paying entities provide about 75 percent of fees collected; invoices range from approx. \$100 to \$7M/year
- Recently mailed FY 2011-2012 invoices to collect \$61 million total required revenue



AB 32 Fee Regulation Details

AB 32 Fee Regulation Details

AB 32 Fee Revenue Sources

- Sources of GHG emissions “upstream” from widely used fossil fuels, including:
 - Gasoline
 - Diesel
 - Coal
 - Natural gas
 - Petroleum coke
 - Catalyst coke
 - Refinery gases
- Non-combustion GHG process emissions from refineries and cement manufacturers
- GHG emissions associated with the generation of both in-state and imported electricity

AB 32 Fee Regulation Details

- Fees are based on annual fuel and GHG emissions data
- Data is reported using ARB's Online GHG Reporting Tool
- Fee liability is determined as follows:
$$\frac{(\text{loan repayment} + \text{annual program cost})}{(\text{emissions} + \text{reported fuel data})}$$
- Fee rate currently about \$0.17/metric ton CO₂



Proposed Amendments



Proposed Amendments

- Align with the Regulation for the Mandatory Reporting of GHG Emissions (MRR), where feasible
- Consulted with the public and regulated entities
- Public workshop held on January 21, 2011
- Amendments are technical in nature and do not significantly change applicability or fee calculation
- Several proposed changes are clarifications
- Overall program framework unaffected

Proposed Amendments

- Applicability
 - Conform with MRR on applicability threshold for electricity generating facilities (EGFs) from 2,500 MTCO₂ to 10,000 MTCO₂e
 - Between 20-25 EGFs will no longer be subject to fee
- Definitions
- Minor adjustments to the calculation of fees
- Minor changes to Reporting Requirements



Potential Impacts



Potential Impacts

- Environmental Impacts
 - No potential significant environmental impacts identified
- Economic Impacts
 - No net change in collected revenue
 - Between 20-25 facilities no longer pay fees on electricity generation
 - Several factors contribute to slight variations in fees assessed for 2011 and subsequent report years



Suggested Modifications



Suggested Modifications

- Modifications to conform with recent MRR and Cap-and-Trade 15-day Changes
 - Definitions
 - Align calculation of fees for electricity delivered into California
- Response to stakeholder comments
 - Clarify reporting requirements for natural gas deliveries



Recommendation



Recommendation

- Staff recommends that the Board approve the proposed amendments and suggested modifications to the AB 32 Cost of Implementation Fee Regulation